

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Kalamazoo Conservation District
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended September 30, 2005

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MANAGEMENT DISCUSSION AND ANALYSIS

Kalamazoo Conservation District Management Discussion and Analysis

As the management of the Kalamazoo Conservation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Kalamazoo Conservation District for the fiscal year ended September 30, 2005.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,218 (*net assets*). Of this amount, \$1,958 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- The District's total net assets decreased by \$15,142 during the year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,958, or 1 percent of total general fund expenditures.

Overview of the financial statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. To simplify financial reporting and improve readability, the government-wide financial statements and fund financial statements have been combined to report the statement of net assets and general fund balance on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Kalamazoo Conservation District
Management Discussion and Analysis**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6 through 8 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,218 at the close of the most recent fiscal year.

District's Net Assets		
	<u>2005</u>	<u>2004</u>
Current assets	\$ 24,538	\$ 22,939
Inventory	-	141
Capital assets (net)	<u>2,260</u>	<u>2,635</u>
Total assets	<u>26,798</u>	<u>25,715</u>
Liabilities	<u>22,580</u>	<u>6,355</u>
Net assets:		
Investment in capital assets	2,260	2,635
Unrestricted	<u>1,958</u>	<u>16,725</u>
Total net assets	<u>\$ 4,218</u>	<u>\$ 19,360</u>

The District's net assets decreased by \$15,142 during the fiscal year due to additional costs associated with grant administration and monitoring. Management will continue to seek ways to get funding through grants for projects and staff.

**Kalamazoo Conservation District
Management Discussion and Analysis**

***District's Condensed
Statement of Net Assets***

Revenues:	<u>2005</u>	<u>2004</u>
State grants	\$ 106,077	\$ 105,785
Charges for services	42,638	43,663
Interest	97	70
Other	<u>1,229</u>	<u>7,416</u>
Total revenues	<u>150,041</u>	<u>156,934</u>
Expenses - public works	<u>165,183</u>	<u>162,380</u>
Decrease in net assets	<u>\$ (15,142)</u>	<u>\$ (5,446)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's sole governmental fund reported an ending fund balance of \$4,596, a decrease of \$12,129 in comparison with the prior year. All of the fund balance is unreserved and represents approximately 3 percent of total General Fund expenditures.

Capital assets. The District's investment in capital assets as of September 30, 2005, amounts to \$2,260 (*net of accumulated depreciation*). There were no significant additions or deletions during the year.

Economic condition and outlook

The overall decrease in net assets was a result of additional cost associated with grant administration and monitoring. There is some anxiety regarding potential budget shortfalls due elimination of state revenue sharing at the local level. Management will continue to encourage the wise management of natural resources by providing conservation programs, technical, and financial assistance, and conservation education.

Contacting the District's financial management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kathleen M Buckham, Executive Director
1911 West Centre Ave
Portage, Michigan 49024

Phone: (269) 327-1258

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Kalamazoo Conservation District**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Kalamazoo Conservation District as of and for the year ended September 30, 2005, as listed in the contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Conservation District as of September 30, 2005, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on, pages i through iii and 9, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the additional analysis and is not a required part of the basic financial statements of the Kalamazoo Conservation District, but is supplementary information required by U.S. generally accepted accounting principles. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Directors
Kalamazoo Conservation District
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005, on our consideration of the Kalamazoo Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Siegfried Crandall P.C.

December 20, 2005

BASIC FINANCIAL STATEMENTS

Kalamazoo Conservation District**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**

September 30, 2005

	<i>Modified accrual basis</i>	<i>Adjustments</i>	<i>Statement of net assets</i>
ASSETS			
Cash	\$ 8,727	\$ -	\$ 8,727
Accounts receivable	15,811	-	15,811
Fixed assets (net)	<u>-</u>	<u>2,260</u>	<u>2,260</u>
Total assets	<u><u>\$ 24,538</u></u>	<u>2,260</u>	<u>26,798</u>
LIABILITIES			
Accounts payable	\$ 5,815	-	5,815
Accrued liabilities	14,127	-	14,127
Long term liabilities - compensated absences	<u>-</u>	<u>2,638</u>	<u>2,638</u>
Total liabilities	19,942	2,638	22,580
FUND BALANCE			
Unreserved, undesignated	<u>4,596</u>	<u>(4,596)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 24,538</u></u>		
NET ASSETS			
Investment in capital assets		2,260	2,260
Unrestricted		<u>1,958</u>	<u>1,958</u>
Total net assets		<u><u>\$ 4,218</u></u>	<u><u>\$ 4,218</u></u>

See notes to financial statements

Kalamazoo Conservation District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES**

Year ended September 30, 2005

	<u>Modified accrual basis</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Public works	\$ 162,170	\$ 3,013	\$ 165,183
PROGRAM REVENUES			
State grants	106,077	-	106,077
Charges for services	42,638	-	42,638
Interest	97		97
Other	<u>1,229</u>	<u>-</u>	<u>1,229</u>
Total program revenues	<u>150,041</u>	<u>-</u>	<u>150,041</u>
NET CHANGE	(12,129)	(3,013)	(15,142)
FUND BALANCE/NET ASSETS - BEGINNING	<u>16,725</u>	<u>2,635</u>	<u>19,360</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 4,596</u>	<u>\$ (378)</u>	<u>\$ 4,218</u>
Net change in fund balance			\$ (12,129)
Amounts reported in the statement of activity are different because:			
Decreases:			
Compensated absences not recorded in fund			(2,638)
Provision for depreciation			<u>(375)</u>
Change in net assets			<u>\$ (15,142)</u>

See notes to financial statements

Kalamazoo Conservation District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Kalamazoo Conservation District (the District) was organized in 1947 for the purpose of "providing local guidance and involvement in the promotion of soil conservation in Kalamazoo County, Michigan." The District is a local unit of state government, which operates under the direction of a board of directors. The Board oversees the development and implementation of soil and water conservation activity in Kalamazoo County, Michigan.

The accounting policies of the District conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements. Also, the District is not a component unit of any other entity.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The modified accrual financial statements are reported using current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

c) Assets and liabilities:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - All receivables are considered to be fully collectible as presented.

iii) Capital assets - Capital assets, which include property, equipment, and vehicles, are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment 5 - 10 years

Kalamazoo Conservation District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Assets and liabilities (continued):

iv) Compensated absences - It is the District's policy to permit employees to accumulate earned but unused sick benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amount when employees separate from service.

Vacation leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment. Vacation leave is accrued as a liability based on the vacation leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Such accumulations are reduced to the maximum amount allowed as a termination payment, based on certain limitations.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

A reconciliation of cash and cash equivalents to the District's deposits and cash on hand, as shown in the balance sheet, is as follows:

Financial statements - cash	<u>\$ 8,727</u>
Notes to financial statements:	
Deposits with financial institutions	\$ 8,573
Cash on hand	<u>154</u>
	<u>\$ 8,727</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the District. Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The District's deposits are in accordance with statutory authority. At September 30, 2005, the District has deposits with a carrying amount of \$8,573 and a bank balance of \$8,958, all of which is covered by federal depository insurance.

Custodial credit risk is the risk that, in the event of failure of the bank, the District will not be able to recover the value of its deposits. The District was not exposed to custodial credit risk as all deposits are covered by federal depository insurance.

Kalamazoo Conservation District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the District consist of earned grant revenue associated with program costs incurred by District through September 30, 2005.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the District for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated - equipment	\$ 3,754	\$ -	\$ -	\$ 3,754
Less accumulated depreciation	<u>1,119</u>	<u>375</u>	<u>-</u>	<u>1,494</u>
Total capital assets being depreciated, net	<u>\$ 2,635</u>	<u>\$ (375)</u>	<u>\$ -</u>	<u>\$ 2,260</u>

NOTE 6 - RISK MANAGEMENT:

The District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Kalamazoo Conservation District
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended September 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 36,500	\$ 36,500	\$ 106,077	\$ 69,577
Charges for services	43,300	43,300	42,638	(662)
Interest	50	50	97	47
Other	<u>500</u>	<u>500</u>	<u>1,229</u>	<u>729</u>
Total revenues	80,350	80,350	150,041	69,691
EXPENDITURES				
Public works	<u>80,333</u>	<u>80,333</u>	<u>162,170</u>	<u>(81,837)</u>
NET CHANGE	17	17	(12,129)	(12,146)
FUND BALANCES - BEGINNING	<u>16,725</u>	<u>16,725</u>	<u>16,725</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 16,742</u>	<u>\$ 16,742</u>	<u>\$ 4,596</u>	<u>\$ (12,146)</u>

OTHER SUPPLEMENTARY INFORMATION

Kalamazoo Conservation District**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM**

Year ended September 30, 2005

	<u>District Operating</u>	<u>CMI Grant</u>	<u>Groundwater Stewardship</u>
REVENUES			
State grants	\$ 19,200	\$ 2,692	\$ 30,500
Charges for services:			
Reforestation	-	-	-
Plat books	2,547	-	-
Education and conservation	1,205	-	1,820
Administration	1,260	-	-
Other	259	-	-
Total charges for services	5,271	-	1,820
Interest	97	-	-
Other	303	-	-
Total revenues	24,871	2,692	32,320
EXPENDITURES			
Public works:			
Salary and wages	50,551	-	17,832
Payroll taxes	3,874	-	1,314
Fringe benefits	448	-	212
Contractual services	300	-	4,189
Cost of trees and merchandise sold	2,891	-	-
Reforestation supplies	245	-	-
Farmland preservation	353	-	2,500
Office supplies and equipment	535	13	158
Advertising and marketing	23	-	247
Training and conferences	328	-	894
Transportation and mileage	557	39	779
Dues and fees	865	-	95
Repairs and maintenance	22	-	-
Meetings	403	-	-
Printing and postage	79	-	-
Miscellaneous	685	-	900
Other program costs	599	-	74
Total public works	62,758	52	29,194
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (37,887)</u>	<u>\$ 2,640</u>	<u>\$ 3,126</u>

<u>Reforestation</u>	<u>Fort Custer MOU</u>	<u>Totals</u>
\$ -	\$ 53,685	\$ 106,077
28,874	-	28,874
50	-	2,597
-	-	3,025
-	5,733	6,993
890	-	1,149
<u>29,814</u>	<u>5,733</u>	<u>42,638</u>
-	-	97
<u>109</u>	<u>817</u>	<u>1,229</u>
<u>29,923</u>	<u>60,235</u>	<u>150,041</u>
1,040	48,189	117,612
80	3,686	8,954
1	325	986
-	-	4,489
12,977	-	15,868
2,270	-	2,515
-	-	2,853
405	-	1,111
1,226	-	1,496
-	(436)	786
106	-	1,481
-	-	960
-	-	22
-	-	403
297	-	376
-	-	1,585
-	-	673
<u>18,402</u>	<u>51,764</u>	<u>162,170</u>
\$ 11,521	\$ 8,471	\$ (12,129)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Telephone 269-381-4970
800-876-0979
269-349-1344

**Board of Directors
Kalamazoo Conservation District**

We have audited the general purpose financial statements of Kalamazoo Conservation District (the District), as of and for the year ended September 30, 2005, and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the District Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

December 20, 2005